

Message Text

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FOLLOWING REPEAT BRUSSELS 11764 ACTION STATE INFO KINSHASA
BONN OTTAWA PARIS TEHRAN ROME TOKYO THE HAGUE LONDON JIDDA JUNE 14.

QUOTE O N F I D E N T I A L BRUSSELS 11764

TARNOFF FOR SECRETARY

E.O. 11652: GDS
TAGS: CG, EAID, EFIN, PINS, MOPS
SUBJECT: BRUSSELS MEETING ON ZAIRE: FINAL SESSION

1. SUMMARY. FINAL SESSION OF BRUSSELS MEETING DEVOTED
ALMOST EXCLUSIVELY TO CONSIDERATION AND ADOPTION OF TEN-
POINT "CONCLUSIONS" PAPER. FURTHER PLEDGES INCREASED
TOTAL OF SHORT-TERM EMERGENCY AID BUT MOST
HAD BEEN EARMARKED FOR ZAIRE PRIOR TO SHABA.
DELEGATES ALSO AGREED TO MEET AGAIN IN OCTOBER AFTER A NEW
IMF AGREEMENT IN PLACE AND AT END OF THE YEAR IN FRAMEWORK
OF IBRD CONSULTATIVE GROUP TO ASSESS MID TO LONG TERM
ECONOMIC PROSPECTS FOR ZAIRE. END SUMMARY.

2. LENGTHY AFTERNOON SESSION RESULTED IN ADOPTION OF
"CONCLUSIONS" DOCUMENT WHOSE MAIN POINTS ARE:
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-- SUPPORT FOR EXPEDITIOUS IMPLEMENTATION OF MANAGEMENT
REFORM MEASURES OF MOBUTU PLAN, INCLUDING FUND EXPERTS IN
BANK AND FINMIN, AND NEGOTIATION BY AUTUMN OF NEW IMF
STANDBY.
-- CONSENSUS AGREEMENT THAT ADOPTION BY ZAIRE OF A FOREIGN
EXCHANGE BUDGET, AND OTHER REFORM MEASURES, ESSENTIAL TO
GOOD BEGINNING FOR MOBUTU PLAN AND WIDE DONOR SUPPORT.

-- NOTE WAS TAKEN OF WORKING GROUP'S ASSESSMENT OF ZAIRE'S REQUESTS FOR EMERGENCY AID:

FOOD AND MEDICINES (\$37.5 MILLION); FUEL (\$24 MILLION); AND SPARES AND RAW MATERIALS (\$55.5 MILLION) -- TO BE ACCOMPANIED BY IMPLEMENTATION OF MANAGEMENT REORGANIZATION MEASURES IN CENTRAL BANK AND FINMIN. THIS AID WILL BE COORDINATED AND FOLLOWED UP IN KINSHASA BY THE RESPECTIVE EMBASSIES AND THE GOZ, IN A MANNER TO BE WORKED OUT LOCALLY.

-- AGREEMENT TO MEET AGAIN IN OCTOBER TO ASSESS PROGRESS ON REFORMS IMPLEMENTATION AND THE NEW STANDBY PROGRAM, AND IN DECEMBER UNDER IBRD CONSULTATIVE GROUP AUSPICES TO LOOK AT MEDIUM TO LONG TERM ASSISTANCE.

-- ZAIRIAN DELEGATION NOTED IMPORTANCE OF CONSOLIDATION OF THE ZAIRIAN DEBT. (FRENCH REP REMARKED THAT THE PARIS CLUB WOULD NOT MEET TO CONSIDER RE-SCHEDULING ZAIRE'S 1978 MATURITIES BEFORE AN IMF STANDBY HAS BEEN NEGOTIATED.)

3. LARGEST COMPONENT OF BRUSSELS AID PACKAGE WAS NOT SURPRISINGLY \$15.5 MILLION BELGIAN PLEDGE FOR FOOD AID AND MEDICINES, FOLLOWED BY EEC FOOD COMMITMENT AND REPROGRAMING OF \$14 MILLION TO BE CHANNLED THROUGH IDA FOR NON-PROJECT COMMODITY CREDIT. EXCEPT FOR BELGIUM, DONOR WILLINGNESS TO PROVIDE NON FOOD EMERGENCY ASSISTANCE TO ZAIRE SUCH AS CONFIDENTIAL

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RAW MATERIALS AND POL WAS SIGNIFICANT BY ITS ABSENCE. BELGIAN CHAIRMAN NOTED THAT LARGE AMOUNT\$ OF FOOD AID PROVIDED ZAIRE WITH OPPORTUNITY TO REALLOCATE ITS OWN EXCHANGE TO MEET OTHER ESSENTIAL REQUIREMENTS FOR WHICH THERE WAS NO DONOR SUPPORT.

4. COMMENT:

WHILE THE BELGIANS WERE ONLY PARTLY SUCCESSFUL IN TRANSFORMING MEETING INTO PLEDGING SESSION, THEY DID SUCCEED IN ANOTHER OBJECTIVE -- GETTING AGREEMENT AMONG PARTICIPANTS TO ENTER INTO A FURTHER CONSULTATIVE PROCESS. IN THIS THE BELGIANS WILL BE SEEN STILL IN THE LEAD BUT-QUICKLY MOVING--UNDER AN IMF/IBRD UMBRELLA. THIS PROCESS COULD HELP TO MAXIMIZE EXTERNAL SUPPORT PROVIDED ZAIRE COMES THROUGH ON REFORM.

OUR REFORM STRATEGY ALSO ACHIEVED SOME SUCCESS AT THE BRUSSELS MEETING -- WE MADE NO COMMITMENTS; WE DID NOT PLAY OUR PL-480 CARD; AND THE ZAIRIANS AGREED TO A FOREIGN EXCHANGE BUDGET. WE ALSO WON SOME TEMPORARY ALLIES FOR OUR REFORM/ASSISTANCE LINKAGE. WHETHER THIS UNITY CAN BE SUSTAINED AND OTHERS -- NOTABLY THE BELGIANS-- BROUGHT TO ACCEPT IT REMAINSEMAINS TO BE SEEN. CHAMBERS

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